

Aviva announces with-profits bonus rates

In January 2017, Aviva revised bonus rates for its with-profits funds. You'll find a summary below of the fund performance for our currently marketed with-profits fund (Aviva Life & Pensions UK Limited Old and New With-Profits Sub Funds). You'll also see some examples of how the declared bonus rates have affected the value of policies.

2016 overview

Most of the profits of the fund come from investments in shares, property and bonds. During 2016 UK shares were boosted by the Bank of England's announcement of a package of measures including a cut in the base rate aimed at fending off a recession. Company profits also went up due to the dollar strengthening against the pound.

The FTSE 100 share index, a commonly used indicator of the performance of UK shares, showed a total return of 19.07% (Source: Lipper IM, a Thomson Reuters company. FTSE 100 Total Return Index.), while UK company bonds returned 10.65% (Source: Lipper IM, a Thomson Reuters company. Markit iBoxx Sterling Non Gilts Overall TR Index). Commercial property values remained broadly the same.

Against this backdrop, our currently marketed with-profits fund earned a return of 12.1% before tax.

Which fund is my policy invested in?

The ['Guide to your fund'](#) section on our website can help you to work out which with-profits fund your policy is invested in. You can tell if your policy is 'unitised' or 'conventional' from your annual statement. If it shows units and unit prices then you have a unitised policy; otherwise you have a conventional policy.

Key information about the Aviva Life & Pensions UK Limited Old and New With-Profits Sub Funds

- **Fund investment return** – for 2016, the fund earned a return of 12.1% before tax and 9.9% after tax.
- **Target asset mix** - shares and property are targeted to be around 70% of the fund's investments.
- **Regular bonus rates** - some rates have reduced slightly for unitised policies, others have been maintained. The regular bonus rates for some conventional life policies have been increased.
- **Final bonus rates** have mixed movements, but have predominantly increased.
- **No market value reductions (MVRs)** currently apply on any policies.

You can find further information about the assets the fund invests in on our website.

Impact of the declaration

Some examples of policy pay-outs as a result of the bonus rate changes are shown in the table below. The examples are from the New With-Profits Sub Fund (one of our currently marketed with-profit funds).

Product	Pay-out Value	Annual Return
Aviva 25 Year With-Profits Endowment	£27,670	4.6%
A conventional with-profits mortgage endowment policy taken out on 1 January 1992 by a male aged 30 next birthday. Premiums to pay for the with-profits endowment benefit are assumed to be £50 a month. The value of the fund is based on a maturity date of 1 January 2017.		
Product	Pay-out Value	Annual Return
Aviva 20 year With-Profits Pension	£86,008	5.5%
A unitised with-profits personal pension plan taken out on 1 January 1997 by a male retiring at age 65, paying £200 per month gross. The value of the fund is based on a retirement date of 1 January 2017.		
Product	Pay-out Value	Annual Return
Aviva With-Profits Bond 5 years	£12,698	4.9%
A unitised Portfolio Level Option with-profits bond taken out on 1 January 2012 with a single premium of £10,000. The value of the fund is based on a surrender made on 1 January 2017.		
Product	Pay-out Value	Annual Return
Aviva With-Profits Bond 10 years	£15,058	4.2%
A unitised Portfolio Level Option with-profits bond taken out on 1 January 2007 with a single premium of £10,000. The value of the fund is based on a surrender made on 1 January 2017.		
Product	Pay-out Value	Annual Return
Aviva With-Profits Bond 15 years	£20,886	5.0%
A unitised Portfolio Level Option with-profits bond taken out on 1 January 2002 with a single premium of £10,000. The value of the fund is based on a surrender made on 1 January 2017.		

The above examples are samples only and they do not necessarily represent any individual policy. Past performance is not a reliable indicator of future performance. The bond and endowment values are after charges and tax. The pension values are after charges and before tax. The 20-year pension value assumes retirement at the selected retirement age, so it benefits from the guarantee of no market value reduction at that time. Source: Aviva.

With-Profits Governance

The With-Profits Committee has considered these bonus rates and assessed them against the Principles and Practices of Financial Management published by Aviva. The Committee supported the bonus rate recommendations made by the company.

How With-Profits policies work

- A with-profits policy differs from a unit linked policy in that it is not totally reliant on the current value of the underlying assets. Some types of with-profits policies offer guarantees that provide a cushion against falling investment markets in certain circumstances. Furthermore, except when bonus rates are changed, the pay-out from a with-profits policy does not vary greatly on a day-to-day basis, as might be the case for a unit linked policy.
- Some with-profits policies give further protection by providing an element of life assurance cover.
- Please note that as bonus rates are regularly reviewed they may change at any time.
- Future bonuses cannot be guaranteed, as they come from profits that have not yet been earned.
- Further details as to how bonus rates are applied can be found in the [PPFMs](#) on our website.
- Market value reductions (MVRs) may be applied at any time, particularly following a large or sustained fall in the stock market.
- Please refer to your policy literature and Terms and Conditions for details of the plan/policy's aims, commitment, its charges and any risks associated with it.

Notes

- The details in this article only relate to business written in the Aviva Life & Pensions UK Limited Old and New With-Profits Sub Funds.
- Aviva has a number of with-profits sub funds. We have a range of bonus series to cater for different product structures and premium rates. These are designed to achieve fairness between policyholders. Please refer to our [website](#) to help you work out which with-profits fund your policy is invested in.
- Aviva Group acquired Friends Life in April 2015. This article does not include Friends Life with-profits business. You can find further details about the Friends Life with-profits funds at [Friends Life With-Profit Bonus News](#).